

ROUTING AND RECORD SHEET

SUBJECT: (Optional)
FOCI Policy

FROM: James H. McDonald
Associate DDA

EXTENSION

NO

DDA 85-1710/2

DATE

23 May 1985

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. DD/Logistics

John:

Per our telecon, I am returning [] package on STAT FOCI. Fitz has sent the letter to Northern Telecom as suggested. I think [] has made a good start on redrafting the FOCI policy, but all the players should get into the act. Also, believe it more a Security responsibility than Logistics for administering and keeping track of who is subject to FOCI or equipment to technical penetration. Suggest you discuss with them their chairing committee and taking responsibility.

James H. McDonald

Atts

ROUTING AND RECORD SHEET

SUBJECT: (Optional)
FOCI Policy

FROM: James H. McDonald
Associate DDA

EXTENSION

NO

DDA 85-1710/1

DATE

23 May 1985

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S
INITIALS

COMMENTS (Number each comment to show from whom to whom. Show a new column after each comment.)

1. DD/Logistics

2.

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15.

John

Per our telecon, I am returning [redacted] package on FOCI. Fitz has sent the letter to Northern Telecom as suggested. I think [redacted] has made a good start on redrafting the FOCI policy, but all the players should get into the act. Also, believe it more a Security responsibility than Logistics for administering and keeping track of who is subject to FOCI or equipment to technical penetration. Suggest you discuss with them their chairing committee and taking responsibility.

James H. McDonald

Atts

ADDA/
Distribution:
Orig - Addressed to att:
1 - DDA Subject
1 - DDA Chrono
1 - JHM Chrono

Sanitized Copy Approved for Release 2010/10/14 : CIA-RDP88G00186R000700840021-4

FORM NO. 241 REPLACES FORM 36-8 (47)
1 FEB 55 WHICH MAY BE USED.

DD/A Registry
85-1710

6 MAY 1985

45-1

MEMORANDUM FOR: Associate Deputy Director for Administration

VIA: Director of Logistics

FROM:

[Redacted]

Chief, Procurement Management Staff, OL

SUBJECT: Foreign Ownership, Control, or Influence

Jim:

1. This memorandum is written to wrap up a number of foreign ownership, control, or influence (FOCI) items. Attachment A is a point paper entitled FOCI thoughts. It lists concerns and possible solutions.

2. Attachment B is a letter to Mr. Fitzgerald. It responds to correspondence from Mr. Fitzgerald, dated 16 April 1985. The letter recognizes Mr. Fitzgerald's visit and correspondence, expresses empathy for his concerns and lets him know that we are reviewing our policy.

3. Attachment C is one of three policy issuances which may be necessary to replace the present unworkable Headquarters notice. It is a direct lift from the Department of Defense and deals with all classified contracting.

STAT

OL 5033-85

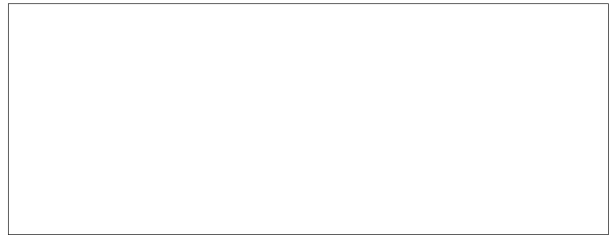
SUBJECT: Foreign Ownership, Control, or Influence

6. We will be happy to assist on any of the above concerns. It may be necessary to designate a senior line official such as the Director of Security to overview the necessary actions.

STAT

Attachments:

A, B, C, and D



STAT

OL/PMS [redacted] (6 May 1985)

Distribution:

- Original & 1 - Addressee (w/atts)
- 1 - OL Files (w/atts)
- 1 - D/L Chrono (w/o atts)
- 1 - PMS Official (w/atts)
- 1 - PMS Chrono (w/o atts)

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A
ATTACHMENT

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ATTACHMENT
B

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Northern Telecom's Edmund Fitzgerald Is Named Chairman

By a WALL STREET JOURNAL Staff Reporter

WINNIPEG, Manitoba—Edmund Fitzgerald, president and chief executive officer of Northern Telecom, was named to the additional post of chairman, clearing the way for a senior-management reorganization he plans to announce in a few months.

Mr. Fitzgerald, 59 years old, succeeds Walter Light, 61, who is retiring. The appointment was announced after the company's annual meeting here yesterday. Mr. Light said last fall that he would retire this year. Last October, Mr. Fitzgerald succeeded Mr. Light as chief executive of the telecommunications-equipment maker.

Mr. Fitzgerald, whom associates described as tougher and more demanding than Mr. Light, said he will announce a mid-year reorganization in senior management. The new team will be smaller, he said, reflecting retirements and a plan to reduce operations at Northern Telecom's headquarters in Mississauga, Ontario. In the first quarter, 68% of the company's \$1.32 billion (Canadian) in revenue originated in the U.S.

"We're going to move some of the younger executives up into greater positions of responsibility, and at the same time we're going to try and trim the organization," Mr. Fitzgerald said.

Basil Beneteau, vice chairman, and Charles Miller, executive vice president for operations, are scheduled to retire this summer, Mr. Fitzgerald said.

Mr. Light said he would like to join a national education organization. "I always felt strongly that people helped me in my career," he said. "Now I would like to return the favor."

Northern Telecom is 52%-owned by Bell Canada Enterprises Inc., Montreal.

29 APR 1985

ROUTING AND TRANSMITTAL SLIP



4/24/85

TO: (Name, office symbol, room number,
building, Agency/Post)

Initials

Date

1. C/PROCUREMENT MANAGEMENT STAFF/OL

29 APR 1985

2.

3.

4.

5.

Action	File	Note and Return
Approval	For Clearance	Per Conversation
As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
Comment	Investigate	Signature
Coordination	Justify	

REMARKS

#1 - FOR ACTION

(PLS PROVIDE DIRECT RESPONSE WITH A DROP CY
TO EO/DDA)

cc: D/LOGISTICS

D/OC

D/OIT

DO NOT use this form as a RECORD of approvals, concurrences, disposals,
clearances, and similar actions

[Redacted] y/Post)		Room No.—Bldg.
EO/DDA	7D18 HQS	Phone No.
[Redacted]		

OPTIONAL FORM 41 (Rev. 7-76)
Prescribed by GSA
FPMR (41 CFR) 101-11.206

* GPO: 1983 O - 381-529 (232)

STAT

STAT

29 APR 1985

Northern Telecom
Limited

Tel. (615) 251-4900

The Woodlawn Mansion
127 Woodmont Boulevard
Nashville, TN 37205

85-1472

Edmund B. Fitzgerald
President & Chief Executive Officer

April 16, 1985

Mr. Harry Fitzwater
Deputy Director of Administration
Central Intelligence Agency
Washington, DC 20505

Dear Mr. Fitzwater,

STAT Mr. Norman L. Dobyns and I very much appreciate being received in your office yesterday by you, [redacted] and Mr. MacDonald. As you know, the purpose of our visit was to discuss the application of the CIA policy on "contracting with organizations subject to foreign ownership, control or influence" to potential business transactions between the CIA and Northern Telecom's wholly-owned U.S. subsidiary, Northern Telecom Inc. As discussed, Northern Telecom is at variance with the following aspects of the CIA FOCI policy.

- A. We have in excess of 5% of non-U.S. ownership.
- B. Foreign nationals hold positions as Directors and Officers of the Corporation.
- C. More than 10% of our gross income is derived from non-communist foreign countries, primarily Canada.

I believe it is appropriate to note that many other U.S. corporations are in violation of one or more of the above conditions, particularly condition "C", the generation of 10% or more of gross income from non-communist foreign countries. I am encouraged that your policy includes a possible exception to its application "if there are sufficient and important reasons to find that the contract is in the best interest of the Agency and its mission".

The particular negotiation about which we were originally concerned has already transpired and you have chosen another vendor. It is not our intent to attempt to reopen that negotiation but to establish a more equitable base on which to proceed on future business opportunities at the CIA. Additionally, a number of the large defense and intelligence community contractors with whom we have current negotiations in progress have indicated to us that they have had a certain reluctance expressed to them by their intelligence agency customers about the purchase of Northern Telecom equipment. This is a very serious situation and can have a very broad ranging impact on our business opportunities.

Page 2

As I indicated to you, we are currently the largest supplier of digital public switching and private switching systems in the United States. We would be most unhappy to lose our position as market leader because a number of our largest potential customers were discouraged from doing business with us by the various intelligence agencies. I have already given you a tabulation of the many installations we have in the U.S. military and have further informed you that we are currently installing an SL-100 digital switch in the White House for use by the President and his staff.

Although I am fully aware of the rationale behind your policy, I must say I find the resulting impact on Northern Telecom hard to understand. I am an American citizen and currently hold and have held for many years high levels of security clearance. For three years I served as Vice Chairman of the Industry Advisory Council of the U.S. Department of Defense under Deputy Secretary Packard and currently serve as a member of the National Telecommunications Security Advisory Council to President Ronald Reagan. It is, therefore, very difficult for me to comprehend why the company of which I am the Chief Executive Officer cannot qualify for contracts from various U.S. intelligence agencies.

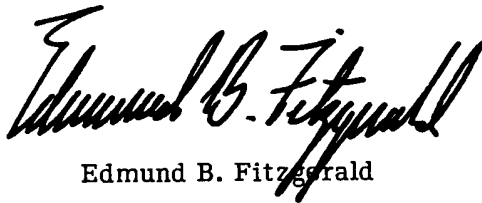
One suggestion I did make to you is that we establish what the Lockheed Corporation used to call "a skunk works". I would have this facility report directly to me and it would be entirely staffed by U.S. citizens with appropriate security clearances. Any work that we would do for you or the other intelligence agencies would be done completely within that facility with a complete assurance there would be no involvement by foreign personnel in these activities. I am sure that the Board of Directors of Northern Telecom Limited would authorize me to operate such a facility without any oversight by them or any other foreign national. This is also quite similar to the manner in which we operated during the time I was Chairman and Chief Executive Officer of Cutler-Hammer, Inc. which held some equally sensitive intelligence community contracts.

Although I am disappointed we were unable to bid on the former CIA procurement, I am much more concerned about future procurements and the spread of a procurement ban to other companies who are, in turn, serving the CIA. I am well aware of the difficulties which you face but I am also confident that this is a situation which can be addressed successfully. Since Northern Telecom is the largest producer of digital telecommunications equipment in the United States, there must be something that we do better than other people and, therefore, it seems to me it would be in the best interests of your agency and its mission to be able to include us as a potential supplier of your needs.

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I would be interested in any comments you might have to make and I would be more than happy to make a return visit to your offices if you believe such would be advisable. Again, many thanks for the audience and I sincerely hope we can find some manner to resolve this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Edmund B. Fitzgerald". The signature is written in a cursive, flowing style with a large initial "E".

Edmund B. Fitzgerald

1 c ATTACHMENT

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